

2010 New Mexico Personal Income Tax (PIT)

QUICK REFERENCE LINE INSTRUCTIONS FOR FORM PIT-1

The *Quick Reference Line Instructions for Form PIT-1* provide filers a quick and easy summary of the 2010 New Mexico personal income tax return and are not intended to replace the full instruction set. Depending upon your tax situation and your understanding of the New Mexico tax laws, the quick reference line instructions may require additional explanation. See the section addressing the subject or line item of the full Form PIT-1 Instructions for additional details.

New Mexico's law says every person who has income from New Mexico sources and who is required to file a federal income tax return must file a personal income tax return in New Mexico. This includes non-residents who have income from wages, rents, royalties, businesses, estates...every New Mexico source. Even foreign nationals and persons who reside in states that do not have income taxes must file here when they have a federal filing requirement and have income from any New Mexico source whatsoever.

GETTING STARTED

Prepare your federal return first. Much of the information on your New Mexico return will be the same. Even if you are not required to file a federal return, complete a sample federal return *before* you prepare your New Mexico return. See *Steps for Preparing Your Return* on page 15 of the PIT-1 Instructions.

Everyone who files a New Mexico personal income tax return must complete and file a Form PIT-1, New Mexico Personal Income Tax Return. Depending upon your residency status and your own personal situation other forms and schedules also may be necessary. See *Required Forms and Attachments* on page 6 of the PIT-1 Instructions.

FILLING IN YOUR RETURN

Complete all required information on your form. Do not leave required fields blank.

See "Filling in your tax return" on page 16 of the PIT-1 Instructions.

- Please leave blank all spaces and boxes that do not apply to you.
- Round all numbers and enter only whole dollar amounts; for example, enter \$10.49 as \$10 and \$10.50 as \$11.
- Type or print using blue or black ink -- no pencils.
- Write your numbers clearly and legibly.
- For a loss, place a minus sign (-) immediately to the left of the loss amount. Do not use brackets or parentheses.

SUMMARY LINE INSTRUCTIONS

Complete the top of page 1 of Form PIT-1. Make sure your name(s), address and social security number(s) are legible, complete and correct. Mark the box above the name-and-address block if you moved or changed your address since your last filing.

If you are filing for a fiscal year, enter at the top of the first page the month and day your tax year began, and the month, day and year that it ended.

Your tax year must match the tax year of your federal return. Do not file short year returns unless allowed by the Internal Revenue Code.

LINE 1. Social Security Number(s), Residency Status and Deceased Taxpayer Information.

Enter your name and social security number (SSN) and if applicable, the name and social security number of your spouse in exactly the same order as on your federal return. Your spouse's social security number is necessary even if you are "married filing separately". If you or your spouse

do not have an SSN, refer to page 15 of the PIT-1 Instructions for additional requirements.

Indicate your residency status and, if applicable, your spouse's residency status. Enter "R" if a resident, "N" if a non-resident, "F" if a first-year resident and "P" if a part-year resident. See pages 1 and 17 of the PIT-1 Instructions for more information.

Mark the appropriate box and enter the date of death (month, day and year) **if the taxpayer or the spouse named on the return died before the filing of this return.** Enter the claimant's name and social security number if the refund must be made payable to the order of a person other than the taxpayer or spouse. See *Representatives of Deceased Taxpayers* on page 3 of the Form PIT-1 Instructions.

LINE 2. Exemptions

Enter the number of exemptions allowed on your federal return for yourself, your spouse if filing a joint return, and your qualifying dependents. New Mexico uses the same definitions and qualifications as the Internal Revenue Service to determine if someone is your dependent.

If you or your spouse were a dependent or qualify as a dependent of another individual for federal income tax purposes, *whether or not* you or your spouse were claimed as a dependent on the other person's federal return, do not count the dependent spouse as an allowable exemption. Add 1 exemption for each dependent claimed on line 6.

LINE 3. Extension of Time to File

Put an "X" in the extension checkbox on line 3 of Form PIT-1 and enter the date the extension expires if you have a federal or New Mexico extension of time to file. It is not necessary to attach a copy of the extension request to your Form PIT-1 if the federal extension was automatic, or you have received approval for a New Mexico extension.

LINE 4. Checkbox Indicating Federal Form(s) 8886 is Required to be Attached

Put an "X" in the box if federal Form(s) 8886, *Reportable Transaction Disclosure Statement*, is required to be attached to your 2010 New Mexico personal income tax return and attach the form. See page 18 of the PIT-1 Instructions for more information.

LINE 5. Filing Status, Boxes 1 - 5

Show your filing status by marking an "X" in the box to the left of the filing status. Use the same filing status on your state return that you used on your federal return. If you did not file a federal return, use the filing status that you would have used for federal income tax purposes.

If you put an "X" in box 3 of line 5 Filing Status, *Married Filing Separately*, you must include your *spouse's name* in the address block and your *spouse's social security number* next to the name on line 1.

If you put an "X" in box 4 of line 5 Filing Status, enter the name of the person who qualifies you as head of household if that person is a child and not eligible to be included as a qualified dependent exemption under federal regulations.

LINE 6. Dependents

Enter the *name, social security number and date of birth* of each dependent reported on your federal return. If you have more than five dependents, enter the additional dependents on Schedule PIT-S.

You must enter the **dependent's date of birth** following the format on the form. To indicate the dependent's date of birth, enter a two-digit month, two-digit day and four-digit year. See page 18 of the PIT-1 Instructions for more information.

LINE 7. Federal Adjusted Gross Income

Enter the federal adjusted gross income as reported on your federal form.

If you filed Federal form:	Enter the amount from:
1040	Line 38
1040A	Line 22
1040EZ	Line 4

LINE 8. Itemized State and Local Income or General Sales Tax

If you itemized your federal deduction amount, enter the amount of state and local income or general sales tax deduction claimed on line 5, federal Form 1040, Schedule A.

LINE 9. Additions to Federal Adjusted Gross Income

You must file Schedule PIT-ADJ if you:

- received interest and dividends from federally tax-exempt bonds;
- have a net operating loss;
- had contributions refunded when closing a New Mexico-approved Section 529 college savings plan account;
- had certain contributions rolled out of a New Mexico-approved Section 529 college savings plan account, or
- claimed a charitable deduction on federal form 1040, Schedule A, for a donation of land to private non-profit or public conservation agencies for conservation purposes from which you were allowed the New Mexico Land Conservation Tax Credit.

See the instructions for lines 1 through 5 on 2010 Schedule PIT-ADJ.

LINE 10. Federal Standard or Itemized Deduction Amount

Enter on PIT-1 line 10 your allowable federal **itemized deductions** from federal Form 1040 line 40, if you itemized your deductions on your 2010 federal Form 1040, mark **checkbox 10a** and, if applicable, **complete line 8**.

If you did not itemize your deductions, enter on Form PIT-1 line 10 the allowable federal **standard deduction** from federal Form 1040 line 40, or 1040A line 24.

Check box 10b if your federal standard deduction amount on federal Form 1040 or 1040A, includes a federal net disaster loss in 2010 because of a disaster occurring in 2008 or 2009 or an additional new motor vehicle tax

deduction amount for state or local sales or excise taxes paid in 2010. These amounts are claimed on federal Schedule L, Form 1040 and 1040A.

If you claim a charitable deduction in your federal itemized deductions on federal Form 1040, Schedule A, for a donation of land to private non-profit or public conservation agencies for conservation purposes from which you were approved for the New Mexico Land Conservation Tax Credit, you must add back the charitable deduction amount included in your itemized deductions on your federal Form 1040, Schedule A. Add the charitable deduction amount on line 4, Schedule PIT-ADJ.

Filers of federal Form 1040EZ should enter the amount from Form 1040EZ, line 5. That amount includes both your standard deduction and your dependency exemption, so you will not have an entry on line 11 of New Mexico Form PIT-1. See line 11 below.

LINE 11. Federal Exemption Amount

Enter on line 11 the federal exemption amount from line 42 of the federal Form 1040, or the amount from line 26 of federal Form 1040A. If you filed federal Form 1040EZ, leave line 11 blank -- your deduction for personal exemptions is included in the amount on line 10.

LINE 12. New Mexico Low- and Middle-Income Tax Exemption

A New Mexico income tax exemption is allowed for individuals who are low- and middle-income taxpayers. All taxpayers, including residents, part-year residents, first-year residents, or non-residents may claim this exemption in full. The maximum is \$2,500 for each qualified exemption for federal income tax purposes. The amount varies according to filing status and adjusted gross income. To claim the exemption the amount on line 7, Form PIT-1 **must be equal to or less than:**

- \$36,667, if single;
- \$27,500, if married filing separate, or
- \$55,000, if married filing joint, qualified widow(er), or head of household.

Use the worksheet on page 21 of the PIT-1 instructions to compute the New Mexico low- and middle-income tax exemption.

LINE 13. Deductions/Exemptions from Federal Adjusted Gross Income
File Schedule PIT-ADJ if:

- you have interest income on New Mexico state and local bonds;
- you have a New Mexico net operating loss carryover;
- you have interest income from U.S. government securities;
- you have railroad retirement income not taxable by New Mexico;
- you or your spouse, or both, are members of an Indian nation, tribe or pueblo and your income was wholly earned on the lands of the reservation or pueblo of which the individual is an enrolled member while domiciled on that reservation, tribe or pueblo;
- you or your spouse -- or both -- are age 100 or over *and* you are not dependents of another taxpayer;
- you or your spouse -- or both -- are age 65 or over or blind and your adjusted gross income is not over \$51,000 for a joint return, \$28,500 for a single taxpayer, or \$25,500 for married taxpayers filing separately;
- you have a New Mexico Medical Care Savings Account;
- you contribute to a New Mexico-approved Section 529 college savings plan;
- you have net capital gains for which you can claim a deduction of up to \$1,000, or 50% of your net capital gains, whichever is greater;
- you have military wages or salary from active duty service;
- you or your spouse -- or both -- are age 65 or over and you have unreimbursed or uncompensated medical care expenses of \$28,000 or more for yourself, your spouse or dependents;
- you, your spouse or dependents have expenses related to donating human organs for transfer to another person, or
- you received a reimbursement from the New Mexico National Guard Service Member's Life Insurance Reimbursement Fund.

See the instructions for lines 6 through 20 on 2010 Schedule PIT-ADJ.

LINE 14. Medical Care Expense Deduction

Any taxpayer who files a New Mexico PIT-1 Personal Income Tax Return, including out-of-state residents with income tax responsibility to New Mexico, may claim a deduction for medical care expenses paid during the tax year for medical care of the taxpayer, the taxpayer's spouse or a dependent. Use the worksheet on page 22 and the instructions beginning on page 20 of the PIT-1 Instructions to determine your deduction amount that you enter on line 14, Form PIT-1.

Important: You must complete both lines 14 and 14a or your deduction will be denied.

LINE 14a. Unreimbursed and Uncompensated Medical Care Expenses

Enter the qualifying unreimbursed and uncompensated medical care expenses used to compute the medical care expense deduction on line 14, Form PIT-1. See the instructions to determine qualifying expenses.

LINE 15. New Mexico Taxable Income

Add lines 7, 8 and 9 and subtract the total from the sum of lines 10, 11, 12, 13 and 14. Enter zero if negative. This is your New Mexico taxable income.

LINE 16. New Mexico Tax

Calculate your tax. Use either the rate tables beginning on page 1T of the PIT-1 Instructions or Schedule PIT-B. Mark the checkbox "R" if you used the rate tables, or "B" if you used Schedule PIT-B to calculate your tax. **MAKE SURE** you use the taxable income amount on line 15 when computing your tax using the rate tables.

Complete Schedule PIT-B to calculate your tax if you have income from sources inside and outside New Mexico.

If you qualify to file Schedule CC, *Alternative Tax Schedule*, then enter only the amount from line 3 of Schedule CC, on line 15. Schedule CC is to be used by taxpayers who:

- have no business activities in New

Mexico other than sales,

- do not own or rent real estate in New Mexico, and
- have annual gross sales in or into New Mexico of \$100,000 or less.

LINE 17. Tax on Lump-Sum Distributions

If you are a **resident** of New Mexico who received a lump-sum payment and are using the federal special ten-year tax option on federal Form 4972, see the full instruction set to compute your New Mexico averaged tax. You are not eligible to use the New Mexico averaging method if you did not use the federal averaging methods available on federal Form 4972.

NOTE: If you used Schedule PIT-B to calculate New Mexico tax liability on line 16 and also used the federal special tax option and New Mexico averaging methods to calculate tax on a lump-sum distribution on line 17, DO NOT add line 17 when completing line 20, Form PIT-1 as instructed. Instead subtract the sum of lines 18 and 19 from the amount entered on line 16. Skip line 17. Line 17, Form PIT-1 should not be added when completing line 20, Form PIT-1 because the New Mexico portion of line 17 is included in line 16.

LINE 18. Credit for Taxes Paid to Another State

A **resident** of New Mexico who must pay personal income tax to another state on income that is also taxable in New Mexico may take a credit against New Mexico tax for tax paid to the other state. If you qualify, see the instructions for this line in the PIT-1 Instructions.

LINE 19. Non-refundable Credits

File Schedule PIT-CR if you are eligible to claim one or more of the following non-refundable credits:

- Cultural Properties Preservation Credit;
- Business Facility Rehabilitation Credit;
- Credit for the Welfare-to-Work Program;
- Rural Job Tax Credit;
- Technology Jobs Tax Credit;
- Electronic Card-Reading Equip-

ment Tax Credit;

- Job Mentorship Tax Credit;
- Land Conservation Incentives Credit;
- Affordable Housing Tax Credit;
- Solar Market Development Tax Credit;
- Blended Biodiesel Fuel Tax Credit;
- Sustainable Building Tax Credit;
- Angel Investment Credit;
- Rural Health Care Practitioners Tax Credit;
- Agricultural Water Conservation Tax Credit, or
- Advanced Energy Tax Credit, or
- Geothermal Ground-Coupled Heat Pump Tax Credit.

See the instructions for lines 1 through 18, Schedule PIT-CR.

LINE 20. Net New Mexico Income Tax

Add lines 16 and 17, then subtract the sum of lines 18 and 19. This amount cannot be less than zero.

If you used Schedule PIT-B to calculate New Mexico tax liability on line 16 and also used the federal special tax option and New Mexico averaging methods to calculate tax on a lump-sum distribution on line 17, DO NOT add line 17 when completing line 20, Form PIT-1. Instead, subtract the sum of lines 18 and 19 from line 16. See the instructions for line 17 for more information.

LINE 22. Rebates and Credits

Complete and attach Schedule PIT-RC if you claim any of the special New Mexico rebates or refundable credits.

- Low Income Comprehensive Tax Rebate;
- Property Tax Rebate (for low-income persons 65 or older);
- Additional Low Income Property Tax Rebate for Los Alamos or Santa Fe County residents;
- Child Day Care Credit;
- Refundable Medical Care Credit for Persons 65 Years of Age or Older;
- Film Production Tax Credit;
- Special Needs Adopted Child Tax Credit, or
- Renewable Energy Production Tax Credit.

LINES 23 and 23a. Working Families Tax Credit

Enter the amount of Earned Income Credit (EIC) reported on your 2010 federal Form 1040, 1040A, or 1040EZ on line 23a, Form PIT-1. Multiply the amount on line 23a by 10% (.10) and enter the result on line 23. *Important: You must complete both lines 23 and 23a, or the credit will be denied.*

An individual who was a New Mexico resident during any part of 2010 and who files a New Mexico personal income tax return may claim a credit in an amount equal to ten percent of the EIC for which that individual is eligible for the same tax year. An individual who qualified for the working families tax credit may receive a refund if the credit exceeds the income tax liability for the tax year of the claim.

The EIC is a refundable federal income tax credit for low income working individuals and families. The credit reduces the amount of federal tax you may owe and may increase your refund from the IRS. To see if you may claim the credit, read the rules in the federal 1040, 1040A or 1040EZ tax packages or see IRS Publication 596. You may also read about the EIC credit on the IRS web site at www.irs.gov and download the publication there.

LINE 24. New Mexico Income Tax Withheld

Enter the total of all New Mexico income tax withheld as shown on your annual withholding statements, Form(s) W-2, 1099, 1099-MISC other than income from oil and gas proceeds, 1099-R, W-2G or W-K, *New Mexico Income and Withholding from Pass-Through Entities*. Include a copy of the forms with your Form PIT-1.

LINE 25. New Mexico Income Tax Withheld From Oil and Gas Proceeds

Enter the total of all New Mexico income tax withheld from oil and gas proceeds as shown on your annual withholding statements, 1099-MISC, or RPD-41285, *Annual Statement of Withholding of Oil and Gas Proceeds*. Also include tax withheld and reported on New Mexico Form WT, *Statement of Certain Trust Distributions of Withholding from Oil and Gas Proceeds*. Be

sure to include a copy of the forms with your Form PIT-1. See page 25 in the PIT-1 Instructions for more information.

LINE 26. New Mexico Estimated Tax Payments Made

Enter the total of New Mexico estimated tax payments made for 2010 as shown in your records. Include your last installment even if you pay it in 2011. Also be sure to include any 2009 overpayments you applied to your 2010 estimated taxes. *Important: Do not include any extension payments made with Form PIT-EXT or return payments made with Form PIT-PV.* Report extension and return payments on Line 27. Report only overpayments from prior year returns and estimated payments made with Form PIT-ES.

If any estimated payments were made using different name(s) or social security number(s), attach a schedule to your return showing how each estimated payment was made.

LINE 27. Other Payments

Enter the total payments made toward the 2010 personal income tax liability not included on line 26. Include return payments made with Form PIT-PV, and extension payments using Form PIT-EXT. Include payments made through the Department's Internet web site using the PIT-PV or PIT-EXT option.

NOTE: Do not include on line 27 payments you attach to the return or payments submitted after the return was filed.

LINE 29. Tax Due/Amount You Owe

If line 21 is greater than line 28, the difference is the amount of tax you owe. Enter the difference on line 29, Form PIT-1.

LINE 30. Penalty on Underpayment of Estimated Tax

Enter the amount of penalty on underpayment of estimated tax that you owe. You may leave this line blank if you owe underpayment of estimated personal tax penalty and you wish the Department to compute the penalty for you. The Department will send you a bill or if a refund is due, will reduce your refund by the amount of the penalty due. NOTE: Effective January 1,

2008, the rate used to compute penalty on underpayment of estimated tax is subject to change quarterly.

If you wish to compute your underpayment of estimated tax penalty, see the instructions for PIT-ES, *Estimated Personal Income Tax Payment Voucher*.

**LINE 31.
Special Method Allowed for Calculation of Underpayment of Estimated Tax Penalty**

If you owe penalty for underpayment of estimated personal income tax using the standard method of computing the penalty **and** you qualify for a special penalty calculation method, enter 1, 2, 3, 4 or 5 in the box on line 31 on Form PIT-1 to indicate the method you elect to use to calculate your underpayment penalty and attach Form RPD-41272, *2010 Calculation of Estimated Personal Income Tax Underpayment Penalty*.

Leave the box blank if you do not qualify for a special method of computing the underpayment of estimated tax penalty. Also leave the box blank if you do not owe estimated tax using the standard method of computing the underpayment of estimated tax penalty. You must mark line 31 to indicate the special method used. You must also attach Form RPD-41272 to your 2010 New Mexico Personal Income Tax Return to be allowed the special penalty calculation.

LINE 32. Penalty

Add penalty if you file late and owe tax, or you do not pay the tax on or before the date the return is due. Calculate the penalty by multiplying the unpaid amount due on line 29 by 2%, then by the number of months or partial months for which the return or payment is late, not to exceed 20% of the tax due. If you wish the Department to compute the penalty for you, leave the line blank.

LINE 33. Interest

Add interest if you do not pay the income tax due on or before the original due date of your return even if you receive an extension of time to file. The formula for calculating daily interest is:

Tax due x daily interest rate for the quarter x number of days late = interest due.

If you wish the Department to compute the interest for you, leave the line blank. See page 27 of the PIT-1 Instructions for more information. The interest rate changes quarterly. The annual and daily interest rate for each quarter is posted on our web site at www.tax.newmexico.gov.

LINES 35 through 38. Overpayment and Refund

If line 21 is less than line 28, you have an overpayment. Enter the difference. If you have penalty or interest due from lines 30, 32 or 33, reduce the overpayment by the sum. If you do not wish to compute any penalty or interest due, enter the difference. The Department will reduce your overpayment by the amount of penalty and/or interest computed.

Your overpayment can be:

- used for voluntary fund contributions (see *New Mexico Voluntary Contributions Form*, Schedule PIT-D), or
- applied to your 2010 estimated tax (enter on line 37), or
- refunded to you (enter on line 38), or
- any combination of these.

Check the figures on your return and on the attachments.

Sign and date your return at the bottom of page 2 of Form PIT-1. If you are married and filing a joint return, both spouses must sign it. **Include**

your telephone number and e-mail address.

Paid preparers must sign your return. Anyone you pay to prepare your return must sign it and fill in the other blanks in the paid preparer's signature section of the return. The preparer may sign it by hand or any other method of electronic signature acceptable to the IRS. See page 29 of the PIT-1 Instructions for more information.

If mailing payment with your return, complete the PIT-PV Payment Voucher. Put your social security number and the tax year on your check.

Do not cut or resize the bottom portion of the payment voucher in any way. When printing the document from the Internet, the printer setting "Page Scaling" should be set to 'none' to prevent resizing.

You may pay by electronic check through the Internet at no charge. Directions are available on the web site, www.tax.newmexico.gov/Online-Services/Pages/Home.aspx.

You may also pay by credit card. A convenience fee of 2.49% is charged to reimburse the Department for charges paid to the credit card company.

Checklist - Complete the Filing Checklist on page 30 of the PIT-1 Instructions. **Assemble your return (and Payment Voucher if your return shows tax due) as shown** on page 29 of the PIT-1 Instructions. Do not staple your return or attachments.

If you are not electronically filing your return, **mail your return** and attachments to the address on Form PIT-1, page 2, or as instructed on page 10 of the instructions. Submit only original, official state forms. **Keep a copy of your original return and attachments.**